

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.

POMPANO BEACH, FLORIDA

INDEPENDENT AUDITORS'

REPORT ON AUDIT OF FINANCIAL STATEMENTS

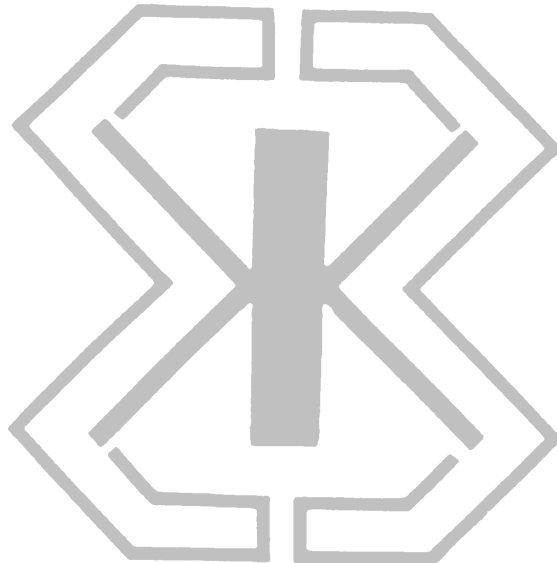
REPORT ON COMPLIANCE

And

ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Required by Government Auditing Standards

For The Years Ended December 31, 2009 and 2008



W.B. Koon & Co.
Certified Public Accountants

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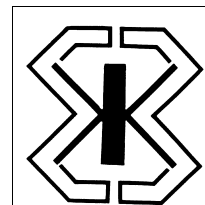
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hope Educational Foundation International, Inc.
Pompano Beach, Florida

We have audited the accompanying statement of financial position of Hope Educational Foundation International, Inc. as of December 31, 2009 and 2008 and the related statements of activities and functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Hope Educational Foundation International, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Educational Foundation International, Inc. at December 31, 2009 and 2008, and changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2010, on our consideration of Hope Educational Foundation International, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of financial awards for the year ended December 31, 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly presented in all material respect in relation to the basic financial statement taken as a whole.

North Miami Beach, Florida
April 9, 2010

W. B. Koon & Co.

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31,

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash	\$118,451	\$115,828
Grants receivable	796	110,784
Prepaid expenses	<u>4,649</u>	<u>50</u>
Total Current Assets	<u>123,896</u>	<u>226,662</u>
Website	9,194	9,194
Office furniture & equipment	3,050	-
Computer	8,821	1,599
Less accumulated depreciation	<u>(7,889)</u>	<u>(4,650)</u>
	<u>13,176</u>	<u>6,143</u>
Security deposit	<u>680</u>	<u>-</u>
TOTAL ASSETS	<u>\$137,752</u>	<u>\$232,805</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$12,840	\$91,326
Accrued expenses	<u>8,790</u>	<u>-</u>
TOTAL LIABILITIES	<u>21,630</u>	<u>91,326</u>
NET ASSETS - Unrestricted	<u>116,122</u>	<u>141,479</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$137,752</u>	<u>\$232,805</u>

READ ACCOMPANYING NOTES

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2009

	<u>Unre- stricted</u>	<u>Tempo- rarily</u>	<u>Total</u>
CHANGES IN NET ASSETS			
SUPPORT AND REVENUE:			
U.S. Department of Health and Human Services	\$832,035	\$	\$832,035
Reach The Children Foundation	37,200		37,200
Interest	131		131
Other Income	<u>325</u>	<u> </u>	<u>325</u>
Total Support and Revenue	<u>869,691</u>	<u> </u>	<u>869,691</u>
EXPENSES:			
Program expenses	821,154		821,154
Management and General	<u>73,894</u>	<u> </u>	<u>73,894</u>
Total expenses	<u>895,048</u>		<u>895,048</u>
Decrease in net assets	(25,357)		(25,357)
NET ASSETS, BEGINNING OF YEAR	<u>141,479</u>	<u>-</u>	<u>141,479</u>
NET ASSETS, END OF YEAR	<u>\$116,122</u>	<u>\$</u>	<u>\$116,122</u>

READ ACCOMPANYING NOTES

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2009

	HIV Prevention Education	Management And General	<u>Total</u>
FUNCTIONAL EXPENSES:			
Salaries	120,301	18,539	138,840
Production expense	99,232	6,550	105,782
Professional fees	24,180	37,010	61,190
Sub-grantee	521,232		521,232
Operating expenses	3,842	1,568	5,410
Travel	18,845	1,477	20,322
Office expenses	1,237	3,286	4,523
Rent	3,619	2,225	5,844
Transportation & distribution	28,666	-	28,666
Amortization and depreciation	<u>-</u>	<u>3,239</u>	<u>3,239</u>
TOTAL FUNCTIONAL EXPENSES	<u>821,154</u>	<u>73,894</u>	<u>895,048</u>

READ ACCOMPANYING NOTES

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES
For The Year Ended December 31, 2008

	<u>Unre-</u> <u>stricted</u>	<u>Tempo-</u> <u>rarily</u>	<u>Total</u>
SUPPORT AND REVENUE:			
U.S. Department of Health and Human Services	\$447,539	\$	\$447,539
Reach The Children Foundation	150,000		150,000
Miscellaneous Grants	5,000		5,000
Interest	82		82
Donations	<u>3,654</u>	<u> </u>	<u>3,654</u>
Total Support and Revenue	<u>606,275</u>	<u> </u>	<u>606,275</u>
FUNCTIONAL EXPENSES:			
Aid to Africa:			
Salaries	69,703		69,703
Production expense	81,312		81,312
Professional fees	33,703		33,703
Sub-grantee	280,949		280,949
Operating expenses	10,031		10,031
Travel	15,373		15,373
Office expenses	9,108		9,108
Transportation & distribution	61,045		61,045
Amortization and depreciation	<u>999</u>	<u> </u>	<u>999</u>
Total functional expenses	<u>562,223</u>	<u> </u>	<u>562,223</u>
Increase in net assets	44,052		44,052
NET ASSETS, BEGINNING OF YEAR	<u>97,427</u>	<u> </u>	<u>97,427</u>
NET ASSETS, END OF YEAR	<u>\$141,479</u>	<u>\$ -</u>	<u>\$141,479</u>

READ ACCOMPANYING NOTES

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31,

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Changes in net assets	<u>\$(25,357)</u>	<u>\$44,052</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization and depreciation	3,239	999
Decrease (increase) in Grants receivable	109,988	(73,901)
Decrease (increase) in prepaid expenses	(4,599)	5,492
(Decrease) increase in accounts payable	(78,486)	73,486
(Increase) in deposit	(680)	-
Increase in accrued expenses	<u>8,790</u>	<u>-</u>
Total adjustments	<u>38,252</u>	<u>6,076</u>
Net Cash Provided by Operating Activities	<u>12,895</u>	<u>50,128</u>
Cash Flows Used In Investing Activities		
Assets acquisition	<u>(10,272)</u>	<u>(1,599)</u>
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>
Net Increase in Cash	2,623	48,529
Cash, Beginning of Year	<u>115,828</u>	<u>67,299</u>
Cash, End of Year	<u>\$118,451</u>	<u>\$115,828</u>

READ ACCOMPANYING NOTES

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS

Hope Educational Foundation International, Inc. (HEF), a Florida corporation not for profit, was incorporated January 15, 2004. The general purpose for which HEF was organized are exclusively charitable and educational within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986. HEF exists to prevent the most devastating systemic threats to children and youth around the world, through research, education, and resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Financial Accounting Standards (SFAS) No 117, **Financial Statements of Not-For-Profit Organizations** requires the information regarding financial position and activities be reported by the three classes of net assets

Unrestricted Net Assets are those currently available for use of HEF.'s board, and the resources invested in fixed assets. These assets are accounted for internally in the general operating fund.

Temporarily Restricted Net Assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

Support and Expenses

Under SFAS No.116, **Accounting for Contribution Received and Contributions Made**, grants and donor restricted contribution are reported as unrestricted support if the grant objectives or donor restriction are met in the same reporting period.

Hope Educational Foundation International, Inc.'s, grants and donor restricted contribution are reported as unrestricted support if the grant objectives or donor restrictions are met in the same reporting period.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Hope Educational Foundation International, Inc., reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Expenses are recorded when incurred in accordance with accrued basis of accounting.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Accrual Basis

The financial statements of Hope Educational Foundation International, Inc., have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. At year-end and throughout the year, the organization's cash balance was deposited in one bank. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents.

Grant Revenue

Grant revenue relates to the HIV prevention grant and is specifically for program service costs, and are reported as unrestricted support when the grant objectives have been met.

Property and Equipment

Represents HEF's net equity in fixed assets. Assets are stated at cost at date of purchase, or at estimated fair market value at time of donation. Depreciation is provided on a straight-line basis over the estimated useful life of the assets. Assets are capitalized when the cost exceeds \$500.

HEF's investment in developing a website, is being amortization over the estimated useful life of the assets, five (5) years.

Maintenance expenses are charged to expense as incurred

Income Taxes

HEF is exempt from Federal Income taxes under Section 501(c)(3) of the Internal Revenue Code.

3. HEF PROGRAM

In September 2008 HEF was awarded a grant from the Department of Health and Human Services (HHS) titled: LONG TERM CAPACITY FOR HIV PREVENTION EDUCATION TO YOUTH, to provide HIV education in five provinces of South Africa.

The award document stated that the grant is renewable for five (5), one (1) year term. The grant is to be funded at one million dollars (\$1,000,000) per year for each of the five years.

To achieve the objectives of the program HEF entered into a sub-award agreement, authorized under USAID South African APS 674-08-003, with Reaching a Generation (RaG), a South African Section 21 not-for-profit corporation.

NOTES TO FINANCIAL STATEMENTS

3. HEF PROGRAM (con't)

First Year Program Objectives and Results:

- * Increase the capacity of 5,635 Life Orientation Teachers to promote HIV prevention through abstinence and faithfulness.

RESULT: 5,198 teachers (92%) were reached.

- * Reach 830,617 total learners with a message that promotes HIV prevention through abstinence and being faithful.

RESULT: objective exceeded by 18%, 845,428 youth reached for the year.

- * Develop the capacity of the Department of Education at the provincial and district level.

RESULT: This objective was accomplished.

- * Develop the administrative, logistic and academic capacity of RaG and HEF to sustain quality HIV prevention education.

RESULT: Objective met.

Prior to September 2008, the major thrust of HEF had been to give humanitarian assistance to the people of Swaziland, through education, providing medical and food supplies and, administrative and financial support; through two (2) grants received from the U.S. Agency for International Development (USAID) Office of Food for Peace, for the receipt, rapid transportation, delivery, and distribution, of a total of 150 metric tons of a shelf-stable prepackages food commodity.

**Supplemental Schedule of Financial Awards
Year ended December 31, 2009**

	<u>CFDA/ Grant Number</u>	<u>From</u>	<u>To</u>	<u>Award</u>	<u>Expenditure</u>
Major Programs					
Department of Health and Human Services					
. 1U2GPS001341-01	93.067	9/30/08	9/29/13	\$5,000,000	\$832,035

Notes:

- A. Second year award amended to \$679,634
- B. Expenditures includes amounts for fixed assets
- C. The grant provides for HIV Prevention Education to Youth

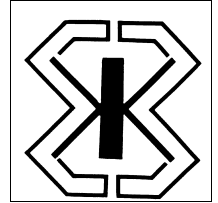
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INDEPENDENT AUDITORS' REPORT REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Hope Educational Foundation International, Inc.
Pompano Beach, Florida

We have audited the financial statements of Hope Educational Foundation International, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated April 9, 2010. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hope Educational Foundation International, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain laws, regulations, contracts, and grants, non compliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hope Educational Foundation International, Inc., internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

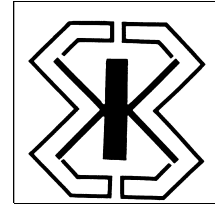
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS **Page 2**

We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of Hope Educational Foundation International, Inc., and its Funding Agencies. However, this report is a matter of public records and its distribution is not limited.

W. B. Koon & Co.

Miami, Florida
April 9, 2010



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**REPORT ON COMPLIANCE AND INTERNAL CONTROL REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL AWARDS PROGRAM**

Board of Directors
Hope Educational Foundation International, Inc..
Pompano Beach, Florida

Compliance

We have audited the compliance of Hope Educational Foundation International, Inc. (HEF), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. Hope Educational Foundation International, Inc., major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of HEF's management. Our responsibility is to express an opinion on HEF compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance projects occurred. An audit includes examining, on a test basis, evidence about HEF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on HEF's compliance with those requirements.

In our opinion, Hope Educational Foundation International, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs projects for the year ended December 31, 2009.

Internal Control Over Compliance

Hope Educational Foundation International, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered HEF's internal control over compliance with requirements that could have a direct and material effect on a major federal program and state financial assistance projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of Hope Educational Foundation International, Inc., U. S. Department of Health and Human Services and other Funding Agencies. However, this report is a matter of public record and its distribution is not limited.

North Miami Beach, Florida
April 9, 2010



**Schedule of Findings And Questioned Costs
For The Year Ended December 31, 2009**

Section 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **UNQUALIFIED**

Internal control over financial reporting:
Material weakness(es) identified? __yes Xno

Reportable condition(s) identified
not, considered to be material weakness? __yes Xno

Noncompliance material to financial statements noted? __yes Xno

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? __yes Xno

Reportable condition(s) identified
not considered to be material weakness? __yes Xno

Type of auditors' report issued on compliance for
major programs: **UNQUALIFIED**

Any audit findings disclosed that are required to be reported in
accordance with Circular A-133, Section.510(a)? __yes Xno

Identification of Major programs:

<u>CFDA/Grant Number</u>	<u>Name of Federal/State Program or Cluster</u>
93.067	Department of Health and Human Services

Dollar threshold used to distinguish between Type A and Type B programs: \$ 500,000

Auditee qualified as low-risk auditee? Xyes __no

Section 11 - FINANCIAL STATEMENT FINDINGS

NO MATTERS WERE REPORTED

Section 111 - FEDERAL/STATE AWARDS FINDINGS AND QUESTIONED COSTS

NO MATTERS WERE REPORTED
